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SUBJECT: NEW ECONOMIC COUNCIL APPOINTED BY PRESIDENT

REF: 2006 COLOMBO 2063

¶1. (U) SUMMARY: On December 26, 2006, President Mahinda Rajapaksa chaired the inaugural meeting of Sri Lanka's new Economic Council. The President appointed this council, comprised of the nation's top economic experts to advise the Government of Sri Lanka (GSL) on economic affairs, and to engage the experts on plan implementation. If the Council is allowed to guide the President (who also wears the hats of Minister of Finance and Minister of Plan Implementation) toward a more realistic set of goals, its contributions to Sri Lanka's national well-being could be immense. There is a risk, however, that the President's pie-in-the-sky vision for development, as articulated in his budget speech, could become a strait-jacket that will impede clear thinking on development issues. End Summary.

¶2. (U) In his address to the Council, the President said that the policies and strategies adopted in the last 50 years have failed to achieve its development targets. The President therefore created the council to assist the GSL's plan to implement short, medium and long-term plans to boost the 10-year development plan envisaged in Budget 2007 (reftel).

¶3. (SBU) The members of the new Council hailed the initiative as a practical and pragmatic approach to create a country-specific economic policy. With the goal of limiting political influence on the Council, the President appointed its members primarily from academia, although some officials from line ministries are also members. Local business leaders not in the Council support its non-partisan nature but question whether it will ultimately be able to influence practical policy implementation.

¶4. (U) The Economic Council will be chaired by the President, and will meet twice every month. The next meeting will be held during the second week of January 2007.

¶5. (U) The Council includes Central Bank Governor Ajith Nivaard Cabraal, Director General of National Planning B. Abeygunawardane, President of Policy Studies Prof. Buddhadasa Hewavitarana, Director General of National Planning B. Abeygunawardane, as well as

directors from the Institute of Policy Studies, World View Institute, National Council for Economic Development, Highways Ministry, and distinguished professors and lawyers.

¶16. (SBU) COMMENT: The Council's mandate to implement an overly ambitious set of plans (as envisaged in an unrealistic 2007 budget), does not bode well for the Council's future success. Some Council members will diligently work to create logical plans for Sri Lanka's economic development. We hope they will receive the authority to advise on realistic development strategies. However, there is a significant risk that they will feel constrained to implement the President's vision articulated in his budget speech.

BLAKE